

NATIONAL CREDIT UNION ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

***AUDIT OF THE
ASSET LIQUIDATION
MANAGEMENT CENTER***

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EXECUTIVE SUMMARY

The Office of Inspector General conducted an audit of the Asset Liquidation and Management Center (ALMC), with primary focus on the effectiveness and efficiency of its Division of Asset Sales and Management. The on-site phase of the audit was performed during June 17-28, 1996.

SCOPE AND METHODOLOGY

The audit included reviews of policies and procedures regarding the disposition of real property, mortgage loans, and consumer loans acquired through credit union liquidations, mergers, and purchase & assumptions. We examined a representative number of real property and loans either being held by the ALMC at the time of our audit and those sold during 1995 and 1996. We reviewed existing financing agreements made to facilitate the sale of real property. Our audit included reviews of the servicing and loan collection efforts on existing mortgage and consumer loans by ALMC and outside collection firms.

AUDIT RESULTS

The Division of Asset Sales and Management had been managing and liquidating real property and loans effectively and efficiently.

We are encouraged with the ALMC decision to assign consumer loan collection duties to the Asset Sales and Management Division on a trial basis. If results of the pilot program are favorable, resulting in the permanent assignment to the Division, ALMC should be able to reduce collection costs further and improve on existing internal controls.

One contract loan servicer, with about \$1 million remaining in consumer loans, had curtailed its collection efforts significantly effective February 1996, claiming that the funds being collected did not justify having a collection person assigned. The collection manager had been laid-off and the assistant had resigned.

The other contract loan servicer had been making good collection efforts, but had been charging the ALMC some erroneous collection commission rates, mainly to their advantage. The dollar impact (\$576) was not significant as loan collections have declined due to the smaller number of credit union liquidations. The firm reimbursed the ALMC for the overcharges. Based on this finding, our audit report includes one recommendation to improve internal controls with outside collection firms.

The internal controls regarding cash received daily at the ALMC were sufficient.